

***TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY***

***FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

DECEMBER 31, 2012

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Town of Bethlehem Industrial Development Agency
Bethlehem, New York

Report on the Financial Statements

We have audited the accompanying statements of net assets of the Town of Bethlehem Industrial Development Agency (the "Agency") as of December 31, 2012 and 2011, and the related statements of revenues, expenses, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2012 and 2011, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Town of Bethlehem Industrial Development Agency's basic financial statements. The schedule of revenues, expenditures, and changes in net assets - budget (non-GAAP basis) and actual and the annual financial report for industrial development agencies are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in net assets - budget (non-GAAP basis) and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in net assets - budget (non-GAAP basis) and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The annual financial report for industrial development agencies has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued report dated February 28, 2013 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
February 28, 2013

The following discussion and analysis of the Town of Bethlehem Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2012. This document should be read in conjunction with the Agency's financial statements.

Financial Highlights

The Agency executed five new agreements for payments in lieu of taxes (PILOTs) in 2012.

As reported in the project analysis section of the December 31, 2012 Annual Report, total PILOT payments received by the Town of Bethlehem (the Town) were close to \$7.2 million which exceeded the tax exemptions granted by a net total of \$1.0 million.

The Agency is also eligible to receive supplemental fees from PSEG Power New York, Inc., assuming certain energy production levels are exceeded. Agency operating revenues of \$4,858,817 include \$53,567 in energy reimbursement fees from PSEG Power New York, Inc.

Projects and New Developments

Vista Technology Campus Project

The Agency continued to support the Vista Technology Campus project owned by Vista Development Group, LLC which called for construction of roads and infrastructure to support the future development of 1.4 million square feet of building space. In 2012 the Agency oversaw the completion of Vista Boulevard, a 3/4 mile access road with water lines, sewer lines, utilities, storm water basin and pump station ("Infrastructure") in the Campus. This project was completed in 2012 and title to the road was transferred to the Town effective November 2, 2012.

The Agency provided financial assistance to Albany Enterprises, LLC to construct a 15,000 square foot office building with a project cost of \$3,900,000 on the Vista Technology Campus. The financing took the form of a "straight lease" with exemption from sales tax, exemption from mortgage recording tax and a PILOT agreement that was based on an enhanced tax abatement. This project closed on July 30, 2012.

The Agency provided financial assistance to Columbia Bethlehem Berk, LLC and Columbia SEF, LLC to construct office buildings respectively for Berkshire Bank and SEFCU, each with a project cost of \$1,816,890. The financial assistance was in the form of a "straight lease" and exemption from sales tax, exemption from mortgage recording tax and a PILOT agreement based on an enhanced tax abatement. These two projects closed on May 9, 2012.

The Agency provided financial assistance to Shop-Rite Supermarkets, Inc. to purchase equipment with an estimated value of \$4,735,000 to be installed in the SRS Bethlehem, LLC project. The financial assistance consisted of exemption from sales tax. The project closed on April 16, 2012.

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Projects and New Developments (Continued)

Vista Technology Campus Project (Continued)

The Agency provided financial assistance to Columbia 14 Vista Blvd, LLC to construct a 6,000 square foot medical office building with a project cost of \$1,565,000. The financial assistance will be in the form of a “straight lease” and exemption from sales tax, exemption from mortgage recording tax and a PILOT agreement based on an enhanced tax abatement. This project closed on November 5, 2012.

The Agency approved the provision of financial assistance to Finke Enterprises, LLC to construct a 56,000 square foot building on Route 9W in Selkirk with a project cost of \$7,171,200. The financial assistance will consist of exemption from sales tax, exemption from mortgage recording tax and a PILOT agreement based on a standard abatement. This project is expected to close in 2013.

Capital District Transportation Committee & NYS Department of Transportation

The Agency continued to support the Town’s planning initiatives for the Capital District Transportation Committee & NYS Department of Transportation - 2010 Grant Programs; the 9W Corridor Study, the Clapper Road Interchange Feasibility Study, the Local Waterfront Revitalization Plan, the Delaware Avenue Hamlet Enhancement Study, the New Scotland Road Hamlet Master Plan, the Open Space Plan and the Agriculture and Farmland Protection Plan.

Summary of Conduit Bonds

Two conduit bonds issued by the Agency were retired during 2012. The following table presents a summary of outstanding conduit bond issuances, which are more fully described within the footnotes to the financial statements:

<u>Project</u>	<u>Balance</u> <u>12/31/11</u>	<u>Issued In</u> <u>2012</u>	<u>Paid in</u> <u>2012</u>	<u>Balance</u> <u>12/31/12</u>
Selkirk Cogen	\$ 29,403,129	\$ -	\$ 29,403,129	\$ -
American Housing Foundation	6,325,000	-	130,000	6,195,000
467 Delaware Avenue, LLC	9,745,000	-	265,000	9,480,000
YMCA	5,806,084	-	5,806,084	-
Vista Development Group, LLC	<u>6,750,000</u>	<u>-</u>	<u>-</u>	<u>6,750,000</u>
 Total	 <u>\$ 58,029,213</u>	 <u>\$ -</u>	 <u>\$ 35,604,213</u>	 <u>\$ 22,425,000</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Service Agreement

The Agency entered into a 2012 Service Agreement with the Town of Bethlehem (the Town), in recognition of the services provided by Town staff (primarily from the Town's Department of Economic Development and Planning) in furtherance of the mutual goals of the Town and the Agency, and given that the Agency has the financial ability to fund a portion of the costs devoted to these efforts.

The Agency voted to pay the Town \$50,000 for 2012 services at its October 26, 2012 meeting.

Interest Income

Interest earnings for 2012 were equal to \$459, about \$395 less than the 2011 earnings of \$854. The decline in income reflected continued declines in interest rates and investment balances.

Change in Net Assets

The Agency's net assets as of the end of 2012 decreased from the levels at the end of 2011 shown in the following:

	<u>2012</u>	<u>2011</u>
Net Assets as of Beginning of Year	\$ 2,589,656	\$ 229,392
Revenue	4,859,276	2,437,047
Expenditures	<u>(6,409,109)</u>	<u>(76,783)</u>
Net Assets as of End of Year	<u>\$ 1,039,823</u>	<u>\$ 2,589,656</u>

The increase in revenue is attributable to the recording of the PILOT mortgage receivable from Vista Development Group, LLC during 2012, as well as to fees earned by the Agency on the Berkshire Bank, SEFCU, Columbia 14 and Shop-Rite Equipment projects. The increase in expenditures was as a result of the Agency dedicating Vista Boulevard to the Town in November of 2012.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances for all those having an interest, and should be considered along with the Annual Audit Report, including the related footnotes. Questions concerning any of the information provided in this report may be addressed to Allen Maikels, CPA, Chief Financial Officer, or Frank Venezia, CPA, Agency Chairman, at 445 Delaware Avenue, Delmar, NY 12054.

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,406,255	\$ 813,980
Current Portion of PILOT Mortgage Receivable	89,854	-
Accounts Receivable	28,319	8,835
Prepaid Expenses	<u>1,875</u>	<u>1,215</u>
Total Current Assets	1,526,303	824,030
PILOT Mortgage Receivable	6,095,522	2,049,271
Construction in Progress	-	1,753,472
Intangible Assets	<u>483,941</u>	<u>483,941</u>
Total Assets	<u>\$ 8,105,766</u>	<u>\$ 5,110,714</u>
 <u>Liabilities and Net Assets</u> 		
Current Liabilities:		
Current Portion of Bond Payable	\$ 89,854	\$ -
Accounts Payable	654,006	403,939
Retainage Payable	-	66,536
Accrued Liabilities	<u>3,110</u>	<u>1,312</u>
Total Current Liabilities	746,970	471,787
Noncurrent Liabilities:		
Bond Payable, Net of Current Portion	<u>6,318,973</u>	<u>2,049,271</u>
Total Liabilities	<u>7,065,943</u>	<u>2,521,058</u>
Net Assets		
Nonspendable	483,941	483,941
Assigned	-	1,753,472
Unassigned	<u>555,882</u>	<u>352,243</u>
Total Net Assets	<u>1,039,823</u>	<u>2,589,656</u>
Total Liabilities and Net Assets	<u>\$ 8,105,766</u>	<u>\$ 5,110,714</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Fees	\$ <u>222,712</u>	\$ <u>386,922</u>
Total Operating Revenue	<u>222,712</u>	<u>386,922</u>
Operating Expenses:		
Contractual Expenses	<u>112,796</u>	<u>76,783</u>
Total Operating Expenses	<u>112,796</u>	<u>76,783</u>
Operating Income	<u>109,916</u>	<u>310,139</u>
Other Revenues and Expenses:		
Interest Income	459	854
PILOT Revenues - Vista Project	4,636,105	2,049,271
Construction Expenses - Vista Project	<u>(6,296,313)</u>	<u>-</u>
Total Other Revenues and Expenses	<u>(1,659,749)</u>	<u>2,050,125</u>
Net Income (Loss)	(1,549,833)	2,360,264
Net Assets, at Beginning of Year	<u>2,589,656</u>	<u>229,392</u>
Net Assets, at End of Year	<u>\$ 1,039,823</u>	<u>\$ 2,589,656</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Cash Received from Providing Services	\$ 203,228	\$ 388,545
Cash Payments Personal Services and Benefits	(39,448)	(42,601)
Cash Payments Contractual Expenses	<u>(72,210)</u>	<u>(10,416)</u>
Net Cash Provided by Operating Activities	<u>91,570</u>	<u>335,528</u>
Cash Flows from Investing Activities:		
Investment Income	459	854
Cash Received for Construction Project	500,000	-
Cash Payments for Construction Project	(4,359,310)	(1,307,997)
Cash Payments for Intangible Assets	<u>-</u>	<u>(483,941)</u>
Net Cash Used in Investing Activities	<u>(3,858,851)</u>	<u>(1,791,084)</u>
Cash Flows from Financing Activities:		
Proceeds from Bond Payable	<u>4,359,556</u>	<u>2,049,271</u>
Net Cash Provided by Financing Activities	<u>4,359,556</u>	<u>2,049,271</u>
Net Increase in Cash and Cash Equivalents	592,275	593,715
Cash and Cash Equivalents at Beginning of Year	<u>813,980</u>	<u>220,265</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,406,255</u>	<u>\$ 813,980</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	<u>\$ 109,916</u>	<u>\$ 310,139</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operations:		
(Increase) Decrease in Accounts Receivable and Prepaid Expenses	(20,144)	408
Increase in Accrued Liabilities	<u>1,798</u>	<u>24,981</u>
Total Adjustments	<u>(18,346)</u>	<u>(2,023,882)</u>
Net Cash Provided by Operating Activities	<u>\$ 91,570</u>	<u>\$ 335,528</u>

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Town of Bethlehem Industrial Development Agency (the Agency) is a public benefit corporation created in 1980 by the Town Board of the Town of Bethlehem, New York under the provisions of Chapter 1030 of the 1969 Laws of New York State, for the purpose of encouraging economic growth in the Town of Bethlehem. The Agency is exempt from Federal, State, and Local income taxes. The Agency, although established by the Town Board of the Town of Bethlehem, is a separate entity and operates independently of the Town of Bethlehem.

This summary of significant accounting policies of the Town of Bethlehem Industrial Development Agency is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Agency's financial statements are prepared using the accrual basis of accounting with accounting principles generally accepted in the United States of America (GAAP) for public authorities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included in the statement of net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash consists of cash held in savings, checking, and money market accounts. The Agency considers all investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

The financial statements do not provide a tax liability for the Agency. The Agency is exempt from federal, state, and local taxes.

Plant, Property, and Equipment

Plant, property, and equipment acquired through the Agency's conduit financing are recorded as assets on the books of the project entities, along with the associated debt.

The Agency has a capitalization policy for additions of fixed assets with a minimum cost of \$1,000 and a useful life or more than one year. There were no fixed assets at December 31, 2012 and 2011.

Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency, Town of Bethlehem, or New York State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives an administration fee from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds, notes, and upon closing of straight lease transactions. At December 31, 2012, the outstanding balance of bonds was \$22,425,000.

In addition to the administrative fees received upon closing, the Agency is also eligible to receive supplemental fees from PSEG Power New York, Inc., assuming certain energy production levels are exceeded. The calculations are made quarterly, commencing August 2005, which was the month following the date commercial operations began (July 18, 2005). The Fees revenue includes \$53,567 and \$64,307 in Energy Reimbursement Payments for the years ended December 31, 2012 and 2011, respectively. Accounts receivable include \$22,319 and \$8,835 due from PSEG as of December 31, 2012 and 2011, respectively.

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012 AND 2011

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

In 2007, the Agency adopted a policy setting a minimum level for net assets. The policy is designed to provide an appropriate level of assets to cover the Agency's operating costs, given the sometimes multiple year cycle between project transactions. The policy defines a minimum reasonable balance at three times the annual base budget, currently equal to \$342,000. If the fund balance is projected to fall below this threshold, the Agency must adopt a plan to restore the minimum net asset position within a twelve-month period.

2. PILOT MORTGAGE RECEIVABLE

To provide a source of repayment for the bond payable and related interest costs, the Agency and the developer have entered into a payment in lieu of taxes ("PILOT"), requiring the developer to make PILOT payments equal to the debt service for the term of the bond payable. As of December 31, 2012, the Agency had \$6,185,376 in outstanding PILOT mortgage receivable. This amount includes \$26,549 in additional amounts owed from the developer.

Scheduled future receipts of PILOT mortgage receivable are as follows:

2013	\$ 89,854
2014	127,499
2015	134,691
2016	142,288
2017	150,315
Thereafter	<u>5,540,729</u>
	<u>\$ 6,185,376</u>

3. INTANGIBLE ASSET

The Agency's intangible asset at December 31, 2012 consists of bond issue closing costs which will be amortized on a straight-line basis over 25 years. Amortization expense will begin in 2013 as the debt service payments commence.

4. BOND PAYABLE

On December 30, 2011 the Agency issued a \$6,750,000 pilot revenue bond for the purposes of paying the costs of an infrastructure project in the Town of Bethlehem in conjunction with an unrelated limited liability company. The holder of the bond, an unrelated limited partnership and an accredited investor, advances the bond proceeds via a trustee financial institution as the infrastructure costs are incurred. The holder has a mortgage lien on the land associated with the infrastructure project owned by the aforementioned unrelated limited liability company.

4. BOND PAYABLE (CONTINUED)

The bond bears interest at 5.5% with payments due each January 1st and July 1st beginning July 1, 2013 through January 1, 2038. As of December 31, 2012 the Agency had \$6,408,827 in outstanding bonds payable. This amount includes \$250,000 original advance from the bond agent unspent by the Agency.

Scheduled maturities of bond payable are as follows:

2013	\$ 89,854
2014	127,499
2015	134,691
2016	142,288
2017	150,315
Thereafter	<u>5,764,180</u>
	<u>\$ 6,408,827</u>

5. NET ASSETS

Governmental Accounting Standards Board No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," defines certain categories of fund balances. The Agency has similarly classified net assets as follows:

- **Non-spendable** net assets includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Agency's non-spendable fund balance consists of \$483,941 in intangible assets at December 31, 2012.
- **Assigned** net assets include amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** net assets represent fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

6. FRINGE BENEFITS

Fringe benefits include pension contributions of \$3,580 to the New York State and Local Employees' Retirement System (the System) for the benefit of the Agency's employee. The system provides various plans and options, some of which require employee contributions. The System is a cost sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. All benefits generally vest after ten years of service. The New York State Retirement and Social Security Law provides that all participants in the System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are covered through annual billings to all participating employers.

6. FRINGE BENEFITS (CONTINUED)

Generally, all employees except certain part-time employees participate in the System. The System is non contributory except for employees who joined the System after July 27, 1975, who must contribute 3% of their salary for the first ten years of service and employees who joined after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYERS, Governor Alfred E. Smith Office Building, Albany, New York 12204.

7. SERVICE AGREEMENT

The Agency entered into a 2012 Service Agreement with the Town of Bethlehem (the Town), in recognition of the services provided by Town staff (primarily from the Department of Economic Development and Planning), in furtherance of the mutual goals held by the Town and the Agency. The Agency paid the Town \$50,000 for 2012 services and this amount is included in contractual expenses as of December 31, 2012.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions for any potential material impact on operations or financial position occurring through February 28, 2013, the date the financial statements were available to be issued. The following were noted:

On January 30, 2013 an agreement was executed to reduce the amount of maximum bond principal amount from \$6,750,000 to \$6,250,000. The \$500,000 reduction was for costs over runs funded by the developer which was deposited with the bond agent in 2012.

On January 31, 2013 the Agency received its final drawdown from the bond agent in the amount of \$91,173, thereby bringing the total bond payable to \$6,500,000, which includes a \$250,000 original advance from the bond agent.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Town of Bethlehem Industrial Development Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Bethlehem Industrial Development Agency, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bethlehem Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bethlehem Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bethlehem Industrial Development Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Bethlehem Industrial Development Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bethlehem Industrial Development Agency's financial statements are free from misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Bethlehem Industrial Development Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
February 28, 2013

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS - BUDGET
 (NON-GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Fees	\$ 155,616	\$ 222,712	\$ 67,096
Interest Income	<u>1,140</u>	<u>459</u>	<u>(681)</u>
Total Revenues	<u>156,756</u>	<u>223,171</u>	<u>66,415</u>
Expenditures:			
Salaries and Wages	31,682	31,681	1
Other Employee Benefits	7,955	9,565	(1,610)
Professional Services Contracts	64,760	63,300	1,460
Administrative Expenses	<u>9,640</u>	<u>8,250</u>	<u>1,390</u>
Total Expenditures	<u>114,037</u>	<u>112,796</u>	<u>1,241</u>
Operating Income	<u>\$ 42,719</u>	<u>\$ 110,375</u>	<u>\$ 67,656</u>

APPENDIX I